

109TH CONGRESS
2D SESSION

H. R. 5660

To amend the Internal Revenue Code of 1986 to extend and expand the benefits for businesses operating in empowerment zones, enterprise communities, or renewal communities, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 21, 2006

Mr. ALEXANDER (for himself, Mr. McCRERY, Mr. ISTOOK, Mr. WALSH, Mr. RAHALL, Mr. BOUSTANY, Mr. MELANCON, and Mr. JINDAL) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to extend and expand the benefits for businesses operating in empowerment zones, enterprise communities, or renewal communities, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Empowerment Zone and Renewal Community Enhance-
6 ment Act of 2006”.

1 (b) AMENDMENT OF 1986 CODE.—Except as other-
 2 wise expressly provided, whenever in this Act an amend-
 3 ment or repeal is expressed in terms of an amendment
 4 to, or repeal of, a section or other provision, the reference
 5 shall be considered to be made to a section or other provi-
 6 sion of the Internal Revenue Code of 1986.

7 **SEC. 2. EXTENSION OF BENEFITS.**

8 (a) EMPOWERMENT ZONES AND ENTERPRISE COM-
 9 MUNITIES.—

10 (1) ROUNDS I AND II DESIGNATIONS.—Sub-
 11 section (d)(1)(A)(i) of section 1391 is amended—

12 (A) by striking “December 31, 2009” and
 13 inserting “December 31, 2015”, and

14 (B) by adding at the end the following new
 15 flush sentence:

16 “For purposes of section 1396, subparagraph (A)
 17 shall be applied by substituting ‘December 31, 2009’
 18 for ‘December 31, 2015’ in the case of designations
 19 made under subsection (a).”.

20 (2) ROUND III DESIGNATIONS.—Subsection
 21 (h)(2) of section 1391 is amended by striking “De-
 22 cember 31, 2009” and inserting “December 31,
 23 2015”.

24 (b) RENEWAL COMMUNITIES.—

1 (1) Sections 1400E(b) and 1400I(g) are each
 2 amended by striking “December 31, 2009” and in-
 3 serting “December 31, 2015”.

4 (2) Sections 1400E(b)(3), 1400F(b), and
 5 1400J(b) are each amended by striking “January 1,
 6 2010” and inserting “January 1, 2016”.

7 (3) Section 1400F(d) is amended—

8 (A) by striking “December 31, 2010” and
 9 inserting “December 31, 2016”, and

10 (B) by striking “December 31, 2014” and
 11 inserting “December 31, 2020”.

12 (4) Section 1400I(d)(2)(A) is amended by strik-
 13 ing “2010” and inserting “2016”.

14 **SEC. 3. REVISION OF BENEFITS.**

15 (a) SAFE HARBOR FOR MEETING REQUIREMENT
 16 THAT 35 PERCENT OF EMPLOYEES BE RESIDENTS OF
 17 ZONE.—Paragraph (2) of section 1394(b) (defining enter-
 18 prise zone facility) is amended by adding at the end the
 19 following new subparagraph:

20 “(D) ADDITIONAL SAFE HARBOR FOR
 21 MEETING REQUIREMENT THAT 35 PERCENT OF
 22 EMPLOYEES BE RESIDENTS OF ZONE.—The re-
 23 quirements of subsections (b)(6) and (c)(7) of
 24 section 1397C shall not fail to be treated as

1 met for any period with respect to a qualified
2 business if—

3 “(i) as of the date of issuance of the
4 issue, it is reasonably expected that within
5 3 years after such date the business will
6 increase employment by at least the lesser
7 of—

8 “(I)(aa) 500 full-time employees
9 in the case of a business located in a
10 renewal community or in a rural area
11 (as defined in section 1393(a)(2)) in
12 an empowerment zone or enterprise
13 community, or

14 “(bb) 1,000 full-time employees
15 in the case of a business located out-
16 side a rural area (as so defined) in an
17 empowerment zone or enterprise com-
18 munity, or

19 “(II) 10 percent of the number
20 of full-time employees estimated to
21 have been employed in such zone or
22 community on the date of its designa-
23 tion,

24 “(ii) as of the date of issuance of the
25 issue, it is reasonably expected that as a

1 result of the bonds the business will in-
2 crease employment by at least one job for
3 each \$150,000 in face amount of the issue,
4 “(iii) at any time within 3 years after
5 the date of issuance of the issue, the re-
6 quirements of such subsections are met, or
7 “(iv) the business enters into a bind-
8 ing agreement with the appropriate local
9 government employment agency to apply a
10 first source rule to advertise and prioritize
11 employment opportunities with such busi-
12 ness for qualified residents of such zone or
13 community.”.

14 (b) ELIGIBILITY OF BUSINESSES DEVELOPING OR
15 HOLDING INTANGIBLES.—Paragraph (4) of section
16 1397C(d) is amended by inserting before the period “un-
17 less the intangibles are developed within the empowerment
18 zone”.

19 (c) REDUCED WAGE CREDIT ALLOWABLE FOR ZONE
20 RESIDENTS EMPLOYED OUTSIDE THE ZONE; EMPLOYEES
21 NEED NOT BE RESIDENTS OF ZONE IN WHICH EM-
22 PLOYED.—

23 (1) IN GENERAL.—Subsection (b) of section
24 1396 is amended to read as follows:

25 “(b) APPLICABLE PERCENTAGE.—

1 “(1) QUALIFIED ZONE EMPLOYEES WHO PER-
2 FORM SUBSTANTIALLY ALL OF THEIR SERVICES IN
3 AN EMPOWERMENT ZONE.—The applicable percent-
4 age is 20 percent with respect to qualified zone em-
5 ployees who would meet the requirement of sub-
6 section (d)(1) if only services performed within an
7 empowerment zone were taken into account.

8 “(2) OTHER QUALIFIED ZONE EMPLOYEES.—

9 “(A) IN GENERAL.—The applicable per-
10 centage is—

11 “(i) 20 percent in the case of des-
12 ignated qualified zone employees of em-
13 ployers which are enterprise zone busi-
14 nesses, and

15 “(ii) 10 percent in the case of any
16 other designated qualified zone employee.

17 “(B) LIMITATIONS ON NUMBER OF DES-
18 IGNATED EMPLOYEES.—

19 “(i) IN GENERAL.—For purposes of
20 subparagraph (A), the term ‘designated
21 qualified zone employee’ means a qualified
22 zone employee—

23 “(I) to whom paragraph (1) does
24 not apply, and

1 “(II) who is designated under
2 this subparagraph.

3 “(ii) MANNER OF DESIGNATIONS.—
4 Designations under this subparagraph
5 shall be made by the local government or
6 governments which nominated the area to
7 be an empowerment zone.

8 “(iii) LIMITATION ON DESIGNA-
9 TIONS.—The number of employees for
10 whom a designation under this subpara-
11 graph is in effect at any one time with re-
12 spect to each empowerment zone shall not
13 exceed—

14 “(I) 500 for purposes of subpara-
15 graph (A)(i), and

16 “(II) 2,000 for purposes of sub-
17 paragraph (A)(ii).”.

18 (2) QUALIFIED ZONE EMPLOYEE.—Paragraph
19 (1) of section 1396(d) is amended—

20 (A) by striking “within an empowerment
21 zone” in subparagraph (A), and

22 (B) by striking “such empowerment zone”
23 in subparagraph (B) and inserting “an em-
24 powerment zone”.

1 (d) CARRYFORWARD OF UNALLOCATED STATE COM-
2 Mercial Revitalization Expenditure Ceiling.—
3 Paragraph (1) of section 1400I(d) is amended to read as
4 follows:

5 “(1) IN GENERAL.—The aggregate commercial
6 revitalization expenditure amount which a commer-
7 cial revitalization agency may allocate for any cal-
8 endar year is the amount equal to the sum of—

9 “(A) the amount of the State commercial
10 revitalization expenditure ceiling determined
11 under this paragraph for such calendar year for
12 such agency (determined without regard to sub-
13 paragraph (B)), and

14 “(B) the aggregate of the unused State
15 commercial revitalization expenditure ceilings
16 determined under this paragraph for such agen-
17 cy for each of the 2 preceding calendar years.

18 For purposes of subparagraph (B), amounts of ex-
19 penditure ceiling shall be treated as allocated by an
20 agency first from unused amounts for the second
21 preceding calendar year, then from unused amounts
22 for the 1st preceding calendar year, and then from
23 amounts from the current year State allocation.”.

24 (e) AUTHORITY TO EXPAND BOUNDARIES OF ZONES
25 AND COMMUNITIES.—

1 (1) EMPOWERMENT ZONES AND ENTERPRISE
2 COMMUNITIES.—Section 1391 is amended by adding
3 at the end the following new subsection:

4 “(i) AUTHORITY TO EXPAND BOUNDARIES OF DES-
5 IGNATED AREAS.—At the request of all governments
6 which nominated an area as an empowerment zone or en-
7 terprise community, the appropriate Secretary may ex-
8 pand the area of such zone or community to include 1
9 or more noncontiguous areas if such governments estab-
10 lish to the satisfaction of the appropriate Secretary that
11 such expansion furthers the purposes of the designation
12 of the initial area as such a zone or community.”.

13 (2) RENEWAL COMMUNITIES.—Section 1400E
14 is amended by adding at the end the following new
15 subsection:

16 “(h) AUTHORITY TO EXPAND BOUNDARIES OF DES-
17 IGNATED AREAS.—At the request of all governments
18 which nominated an area as a renewal community, the
19 Secretary of Housing and Urban Development may ex-
20 pand the area of such community to include 1 or more
21 noncontiguous areas if such governments establish to the
22 satisfaction of such Secretary that such expansion fur-
23 thers the purposes of the designation of the initial area
24 as a renewal community.”.

1 (f) MODIFICATION OF REQUIREMENT FOR EXPAND-
2 ING DESIGNATED AREA BASED ON 2000 CENSUS.—
3 Clause (ii) of section 1400E(g)(1)(A) is amended to read
4 as follows:

5 “(ii) such tract has a poverty rate
6 using 2000 census data—

7 “(I) which is at least 20 percent,
8 or

9 “(II) which exceeds the poverty
10 rate for such tract using 1990 census
11 data.”.

12 (g) REPEAL OF EXCLUSION OF CENTRAL BUSINESS
13 DISTRICT FROM ELIGIBILITY AS DESIGNATED AREA.—
14 Paragraph (3) of section 1392(a) is amended by adding
15 “and” at the end of subparagraph (B), by striking “, and”
16 at the end of subparagraph (C) and inserting a period,
17 and by striking subparagraph (D).

18 (h) CARRYOVER OF UNUSED INCREASED SECTION
19 179 EXPENSING LIMIT.—

20 (1) IN GENERAL.—Subparagraph (A) of section
21 1397A(a)(1) is amended to read as follows:

22 “(A) the sum of—

23 “(i) \$35,000, and

1 “(ii) the aggregate of the unused in-
2 creased limitations for each of the 2 pre-
3 ceding taxable years, or”.

4 (2) UNUSED INCREASED LIMITATION.—Section
5 1392 is amended by adding at the end the following
6 new subsection:

7 “(c) UNUSED INCREASED LIMITATION.—For pur-
8 poses of subsection (a)(1)(A)—

9 “(1) IN GENERAL.—The unused increased limi-
10 tation for any taxable year is the excess (but not
11 more than \$35,000) of the limitation under section
12 179(b)(1) as increased under subsection (a) over the
13 cost of section 179 property which is qualified zone
14 property placed in service during the taxable year.

15 “(2) ORDERING RULE.—The limitation under
16 section 179(b)(1) as increased under subsection (a)
17 shall be treated as used first from unused limitation
18 for the second preceding calendar year, then from
19 unused limitation for the 1st preceding calendar
20 year, and then from such limitation for the current
21 year.”.

22 (i) ELECTION OF FINANCING ARRANGEMENT IN
23 LIEU OF TAX BENEFITS.—Section 1396 is amended by
24 adding at the end the following new subsection:

1 “(e) ELECTION OF FINANCING ARRANGEMENT IN
2 LIEU OF TAX BENEFITS.—

3 “(1) IN GENERAL.—At the election of any sig-
4 nificant empowerment zone business, for the pay-
5 ment period of the debt obligation designated in
6 such election by such business—

7 “(A) such business—

8 “(i) shall not be treated as an enter-
9 prise zone business for purposes of section
10 1396, and

11 “(ii) shall not be allowed any deduc-
12 tion for depreciation under section 168 with
13 respect to qualified zone property, and

14 “(B) the Secretary shall make the pay-
15 ments described in paragraph (2) to the holder
16 of such debt obligation.

17 “(2) PAYMENTS.—

18 “(A) IN GENERAL.—At the beginning of
19 each year of the payment period, the Secretary
20 shall pay (out of any money in the Treasury not
21 otherwise appropriated) to the holder of the
22 debt obligation designated by such zone busi-
23 ness an amount equal to the value of the tax
24 benefits under this chapter for such year to

1 which such zone business would be entitled but
2 for the election under this subsection.

3 “(B) ASSUMPTIONS.—For purposes of val-
4 uing tax benefits under subparagraph (A), the
5 Secretary shall assume that—

6 “(i) the business is an enterprise zone
7 business for purposes of section 1396,

8 “(ii) all qualified zone property placed
9 in service by the zone business is a single
10 property with a recovery period under sec-
11 tion 168 of 15 years, and

12 “(iii) the rate of tax under this chap-
13 ter is 25 percent.

14 “(C) PAYMENT PERIOD.—The payment pe-
15 riod is the period of 15 calendar years begin-
16 ning with the earlier of—

17 “(i) the calendar year specified (be-
18 fore the beginning of such year) by the
19 taxpayer as the 1st year of the payment
20 period, or

21 “(ii) the 5th calendar year beginning
22 after the date that the election under this
23 subsection is made.

24 “(3) SIGNIFICANT EMPOWERMENT ZONE BUSI-
25 NESS.—For purposes of this subsection, the term

1 ‘significant empowerment zone business’ means any
2 trade or business operating in an empowerment zone
3 if—

4 “(A) such business is nominated by the
5 State or local government which nominated the
6 area taken into account under section 1396 to
7 be an empowerment zone, and

8 “(B) the Secretary of Housing and Urban
9 Development determines that it is reasonably
10 anticipated that such business will increase em-
11 ployment in such zone during the first 3 years
12 of the payment period by at least the lesser
13 of—

14 “(i) 1,000 full-time employees, or

15 “(ii) 10 percent of the number of full-
16 time employees estimated to have been em-
17 ployed in such zone on the date of its des-
18 ignation.”.

19 (j) CERTAIN FEDERALLY GUARANTEED BONDS
20 ISSUED TO PROVIDE INVESTMENTS IN EMPOWERMENT
21 ZONES AND RENEWAL COMMUNITIES PERMITTED TO BE
22 TAX-EXEMPT, ETC.—Subparagraph (A) of section
23 149(b)(3) is amended by striking “or” at the end of clause
24 (ii), by striking the period at the end of clause (iii) and

1 inserting “, or”, and by adding at the end the following
 2 new clause:

3 “(iv) any guarantee by a Federal
 4 Home Loan Bank for a bond 95 percent or
 5 more of the net proceeds of which are to
 6 be used to provide property in an em-
 7 powerment zone or renewal community.”.

8 (k) TAX-EXEMPT INTEREST OF FINANCIAL INSTITU-
 9 TIONS ON ZONE FACILITY BONDS NOT SUBJECT TO IN-
 10 TEREST DISALLOWANCE.—Subparagraph (B) of section
 11 265(b)(3) (defining qualified bond) is amended by adding
 12 at the end the following new clause:

13 “(iii) ENTERPRISE ZONE FACILITY
 14 BONDS.—The term ‘qualified tax-exempt
 15 obligation’ includes any obligation which is
 16 treated as an exempt facility bond by sec-
 17 tion 1394.”.

18 (l) EFFECTIVE DATE.—The amendments made by
 19 this section shall apply to taxable years beginning after
 20 the date of the enactment of this Act.

21 (m) REPORTING.—The Secretary of the Treasury (or
 22 the Secretary’s delegate) shall annually submit to the
 23 Committee on Ways and Means of the House of Rep-
 24 resentatives and the Committee on Finance of the Senate
 25 a report detailing for each empowerment zone, enterprise

- 1 community, and renewal community the amount and type
- 2 of claimed tax benefits.

